



FILED

Eric M. Hocky
Direct Dial 215 640 8523
Email ehocky@thorpreed.com

229090

APR 4 - 2011

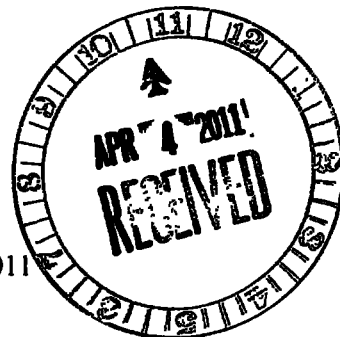
**SURFACE
TRANSPORTATION BOARD**

ATTORNEYS AT LAW SINCE 1895

VIA OVERNIGHT DELIVERY

Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street SW
Washington, DC 20024

April 1, 2011



Re: Delta Southern Railroad, Inc. – Abandonment Exemption –
In Desha and Chicot Counties, Arkansas
STB Docket No. AB-384 (Sub-No. 3X)
Joint Offer of Financial Assistance

Dear Ms. Brown:

Enclosed for filing are the original and 10 copies of a Joint Offer of Financial Assistance (“OFA”) being filed on behalf of Lake Providence Port Commission and Arkansas Shortline Railroads, Inc., as guarantor for its wholly owned subsidiary North Louisiana & Arkansas Railroad, Inc. Also enclosed is our check in the amount of \$1500 representing the filing fee.

Please time stamp the extra copy of the OFA and return it to me in the stamped, self-addressed envelope provided for your convenience.

Please let me know if there are any questions regarding this filing.

ENTERED
Office of Proceedings
APR 4 - 2011
Part of
Public Record

Pittsburgh

Philadelphia

Princeton

Wheeling

FEE RECEIVED

APR 4 - 2011

**SURFACE
TRANSPORTATION BOARD**

Respectfully,

Eric M. Hocky

*Counsel for Lake Providence Port
Commission*

EMH/e
Enclosure

cc: Thomas F. McFarland, Esq. (via overnight delivery)
Richard H. Streeter, Esq. (via email)

Thorp Reed & Armstrong, LLP
One Commerce Square
2005 Market Street
Suite 1000
Philadelphia, PA 19103-7041
215 640 8500
215 640 8501 Fax

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Docket No. AB 384 (Sub-No. 3X)

FILED

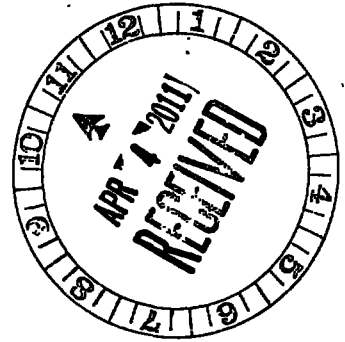
APR 4 - 2011

DELTA SOUTHERN RAILROAD, INC.

SURFACE
TRANSPORTATION BOARD

- ABANDONMENT EXEMPTION -

IN DESHA AND CHICOT COUNTIES, ARKANSAS



LAKE PROVIDENCE PORT COMMISSION AND
ARKANSAS SHORTLINE RAILROADS, INC. AS GUARANTOR FOR ITS WHOLLY
OWNED SUBSIDIARY, NORTH LOUISIANA & ARKANSAS RAILROAD, INC.
JOINT OFFER OF FINANCIAL ASSISTANCE (OFA)
TO ACQUIRE RAIL LINES

ENTERED
Office of Proceedings

APR 4 - 2011

Part of
Public Record

FEE RECEIVED
APR 4 - 2011
SURFACE
TRANSPORTATION BOARD

Dated: April 1, 2011

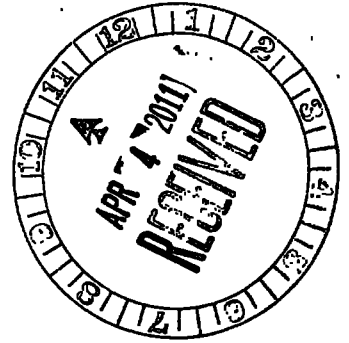
ERIC M. HOCKY
THORP REED & ARMSTRONG, LLP
One Commerce Square
2005 Market Street, Suite 1000
Philadelphia, PA 19103
(215) 640-8500
ehocky@thorpreed.com
Attorneys for Lake Providence Port
Commission

RICHARD H. STREETER
Law Office of Richard H. Streeter
5255 Partridge Lane, N.W.
Washington, D.C. 20016
(202) 363-2011
rhstreeter@gmail.com
Attorney for Arkansas Shortline Railroads,
Inc. as Guarantor for its wholly-owned
subsidiary, North Louisiana & Arkansas
Railroad, Inc.

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB Docket No. AB 384 (Sub-No. 3X)

**DELTA SOUTHERN RAILROAD, INC.
- ABANDONMENT EXEMPTION -
IN DESHA AND CHICOT COUNTIES, ARKANSAS**



**LAKE PROVIDENCE PORT COMMISSION AND
ARKANSAS SHORTLINE RAILROADS, INC. AS GUARANTOR FOR ITS WHOLLY-
OWNED SUBSIDIARY, NORTH LOUISIANA & ARKANSAS RAILROAD, INC.
JOINT OFFER OF FINANCIAL ASSISTANCE (OFA)
TO ACQUIRE RAIL LINES**

Lake Providence Port Commission, a governmental agency created by Act 450 (R.S. 1501 et seq.) of the 1958 regular session of the Louisiana Legislature (the "Port Commission"), and Arkansas Shortline Railroads, Inc. ("ASR"), an Arkansas corporation, as guarantor for its wholly-owned subsidiary, North Louisiana & Arkansas Railroad, Inc. ("NLA"), a newly formed non-carrier, hereby jointly file this offer of financial assistance ("OFA") to acquire the rail line that Delta Southern Railroad ("DSR" or "Applicant") seeks to abandon in this proceeding. This OFA is submitted in accordance with the regulations set forth in 49 CFR 1152.27, *et seq.*, and the schedule established by the Board in its decision served March 25, 2011.

An OFA to acquire a line for continued rail service need not be detailed, but an offeror must show that it is financially responsible and that the offer is reasonable. *See Arizona & California Railroad Company – Abandonment Exemption – In San Bernardino and Riverside Counties, CA*, STB Docket No. AB-1022 (Sub-No. 1X) (served July 29, 2009); *East Penn Railroad, LLC – Abandonment Exemption – In Berks and Montgomery Counties, PA*, STB Docket No. AB-1020X (served December 2, 2008). *See also Conrail Abandonments under*

NERSA, 365 ICC 472 (1981). The Port Commission and ASR as guarantor for NLA and this OFA clearly satisfy both requirements.

BACKGROUND

On December 6, 2010, DSR filed a petition for exemption (the “Petition”) to abandon a 24.1 mile rail line between Milepost 408.9 at or near McGehee and Milepost 433.0 at or near Lake Village, in Desha and Chicot Counties, Arkansas (the “Abandonment Line”). A map of the Abandonment Line is attached hereto as Exhibit A (and Appendix 2 to the Petition). The Port Commission has been negotiating with DSR to acquire the Abandonment Line but has not yet reached agreement on the terms and conditions of the acquisition.¹ This OFA is being filed to protect the right to purchase the Abandonment Line while negotiations continue.

OFFER OF FINANCIAL ASSISTANCE

The Port and NLA hereby jointly offer² to purchase the Abandonment Line for a purchase price of \$778,791, and on the following terms and conditions:

- (1) Closing within 90 days.
- (2) Transfer of land by quitclaim deed.

¹ The Port Commission is also negotiating with DSR to purchase an 8.2 mile rail line previously abandoned by DSR in STB Docket No. AB 384 (Sub No. 1X), and the 8.0 mile rail line that is the subject of the abandonment in STB Docket No. AB 384 (Sub No. 2X), together with approximately 1.0± of trackage rights to connect to the Port Commission’s facilities. Together with the 21.8 mile abandoned rail line purchased by SAEDD in 2005, the acquisitions would create a continuous line of railroad from McGehee, Arkansas to the Port Commission facilities in Lake Providence, Louisiana. The purchase price and the other terms and conditions requested in this OFA do not necessarily reflect the current status of the negotiations. The State does not intend this OFA to represent a change in its position on terms that have been agreed to in negotiations, but rather to represent terms requested if negotiations are ultimately unsuccessful.

² The Port Commission and NLA have not yet agreed on the details of ownership or operation, but would do so prior to closing on the acquisition. However, as joint offerors they request that the Board confirm that any transfers between the two offerors would not be trigger the provisions of 1152.27(i) requiring a potential transfer back to DSR.

- (3) Transfer of track and track materials by bill of sale.
- (4) Assignment of all leases, licenses and other agreements related or pertaining to the Abandonment Line.
- (5) The transfers to be free and clear of monetary liens and encumbrances.

The Port Commission and NLA reserve their respective rights to withdraw the OFA if any or all of the requested conditions are not accepted by DSR (or imposed by the Board), or to proceed with the purchase even if all additional terms and conditions are not accepted (or imposed).

In accordance with the requirements of 49 CFR 1152.27(c)(1)(ii), the Port Commission and NLA also provide the following information with respect to their OFA:

(A) Identity of Lines in Question

The OFA is for the acquisition of the entire Abandonment Line as described above, and in the Petition for Exemption.

(B) Financial Responsibility of Offeror

As set forth in 49 CFR 1152.27(c)(1)(ii)(B), governmental entities such as the Port Commission are presumed to be financially responsible.³

NLA will also have funds that would be made available by its parent corporation for the purchase and continuing operations.⁴ Attached is a copy of ASR's consolidated income

³ On March 1, 2011, the Louisiana State Bond Commission approved a Certificate of Indebtedness for the benefit of the Port Commission in the amount of \$ 1,500,000.00. The Port Commission is in the process of obtaining the necessary banking consents, has submitted all requested paperwork, and expects to receive approval in less than 10 days.

⁴ The offerors anticipate that all of the funding for the purchase will initially be provided by the Port Commission. ASR/NLA will fund its ultimate portion of the purchase through a commercial loan with its bank, and repay the Port Commission for its share once the loan has

statement for 2010. ASR currently controls two Class III railroads, and has recently filed for authority to control a third. *See* STB Finance Docket No. 35484 (notice of exemption filed March 29, 2011). The railroads under ASR's control have substantial operating experience having been in operation for over twenty years since they were acquired by ASR. Thus, ASR/NLA is independently financially responsible, as well as being responsible together with the Port Commission. *See Norfolk Southern Railway Company- Abandonment Exemption- In Somerset County, PA*, STB Docket No. AB-290 (Sub-No. 305X) (served January 30, 2009) (stating that "concrete financial evidence" such as letters of credit, balance sheets, income statements and other financial records or statements will support a finding of financial responsibility).

(C) Explanation of Disparity between Offer and Applicant's Estimate

Applicant's estimate of the minimum purchase price as set forth in the Petition was \$32,315 per mile, or \$778,791 for the entire Abandonment Line. *See* Petition at 8. There is no disparity between DSR's estimate of net liquidation value and the joint offer of the Port Commission and DR.

The Port Commission and NLA reserve the right to request a different price and terms and conditions if the parties are unable to reach an agreement and the Board is requested to set terms and conditions.

been finalized. Any delay in the approval of the loan will not delay the ability of the offerors to close on the OFA.

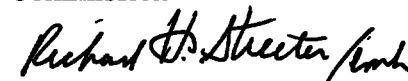
CONCLUSION

Based on the foregoing, the Port Commission and ASR/NLA hereby request that the Board determine that they are financially responsible and that this offer of financial assistance to purchase the Abandonment Line is reasonable.

Respectfully submitted,



ERIC M. HOCKY
THORP REED & ARMSTRONG, LLP
One Commerce Square
2005 Market Street, Suite 1000
Philadelphia, PA 19103
(215) 640-8500
ehocky@thorpreed.com
Attorneys for Lake Providence Port
Commission



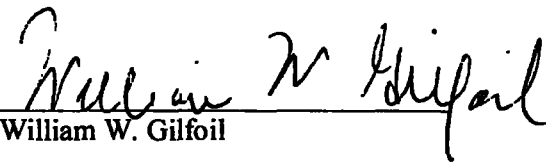
RICHARD H. STREETER
Law Office of Richard H. Streeter
5255 Partridge Lane, N.W.
Washington, D.C. 20016
(202) 363-2011
rhstreeter@gmail.com
Attorney for Arkansas Shortline Railroads,
Inc., as Guarantor for its wholly-owned
subsidiary, Northern Louisiana & Arkansas
Railroad, Inc.

Dated: April 1, 2011

VERIFICATION

I, William W. Gilfoil, hereby declare under penalty of perjury that I am Port Director, Lake Providence Port Commission, that I am duly authorized to present this Verification, and that I have read the foregoing Joint Offer of Financial Assistance and know the fact asserted therein with respect to Lake Providence Port Commission are true and correct as stated to the best of my knowledge, information and belief.

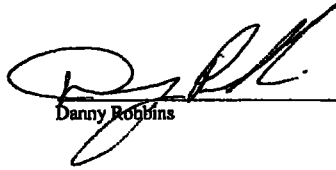
Executed on April 1, 2011


William W. Gilfoil

VERIFICATION

I, Danny Robbins, hereby declare under penalty of perjury that I am President, Arkansas Shortline Railroads, Inc., that I am duly authorized to present this Verification, and that I have read the foregoing Joint Offer of Financial Assistance and know the fact asserted therein with respect to Arkansas Shortline Railroads, Inc. and Northern Louisiana & Arkansas Railroad, Inc. are true and correct as stated to the best of my knowledge, information and belief.

Executed on April 1, 2011


Danny Robbins

Arkansas Short Line Railroad
Consolidated Income Statement
2010

	D&R	OUCR	Total
Revenue			
Freight Revenue	759,103.33	401,721.33	1,160,824.66
Switching and Weighing	67,500.00	139,950.00	207,450.00
Demurrage Revenue	276,400.00	0.00	276,400.00
Micellaneous Income	5.00	0.00	5.00
Storage Revenue	0.00	159,464.00	159,464.00
Total Revenue	1,103,008.33	701,135.33	1,804,143.66
Expenses			
Maintenance of Way			
Track Labor	108,460.82	21,613.38	130,074.20
Track Labor-Meal Expense	294.19	0.00	294.19
Vacation and Holidays	7,346.00	704.00	8,050.00
Payroll Taxes	22,911.88	4,879.09	27,790.97
Employee Health Benefits	16,754.12	4,177.80	20,931.92
Injuries and Physicals	1,102.00	0.00	1,102.00
Ties	22,406.59	0.00	22,406.59
R/W Expenses	4,905.20	6,520.00	11,425.20
Ballast	4,212.96	796.89	5,009.85
Signals	4,787.60	1,520.03	6,307.63
Culverts	0.00	1,730.52	1,730.52
Other Track Materials	3,226.19	1,711.40	4,937.59
Tools and Supplies	2,907.02	0.00	2,907.02
Vehicle Repair and Maintenance	3,863.17	4,997.14	8,860.31
Vehicle Fuel	4,450.92	0.00	4,450.92
Telephone	670.86	0.00	670.86
Roadway Machine Repairs	4,613.96	158.00	4,771.96
Roadway Machine Fuel	143.63	432.32	575.95
Tools and Supplies	787.94	547.02	1,334.96
Rehab Exp	0.00	61,868.13	61,868.13
Insurance	10,388.04	7,639.80	18,027.84
Depreciation-MOW	46,800.00	72,000.00	118,800.00
Total MOW	271,033.09	191,295.52	462,328.61
Transportation Expense			
Train Crew Labor	76,143.27	47,519.25	123,662.52
Vacation and Holiday	6,192.00	4,640.00	10,832.00
Payroll Taxes	15,568.49	10,749.17	26,317.66
Employee Health Benefits	13,721.26	8,192.56	21,913.82
Injuries and Physicals	180.00	0.00	180.00
Locomotive Repair & Maint	10,953.19	3,108.27	14,061.46

Vehicle Repair & Maint	261.03	0.00	261.03
Vehicle Fuel	3,955.42	2,096.81	6,052.23
Vehicle Mileage	50.00	0.00	50.00
Train Supplies & Expense	2,340.22	0.00	2,340.22
Freight Charges	224.71	0.00	224.71
Train Fuel	40,463.48	16,331.76	56,795.24
Derailment Expense	43,028.86	1,088.58	44,117.44
Derailment-Contracted Repairs	5,390.00	0.00	5,390.00
Communication Expense	1,204.37	80.30	1,284.67
Telephone	562.14	415.32	977.46
RAILINC Services	151.60	122.01	273.61
RMI Services - TMS/RMS	4,744.65	3,047.11	7,791.76
Insurance	17,745.24	5,583.24	23,328.48
Depreciation-Transp	51,600.00	900.00	52,500.00
Car Hire	43,818.15	-497.76	43,320.39
Car Repairs	14.73	0.00	14.73
Scales	3,733.24	2,676.89	6,410.13
Utilities	1,052.33	0.00	1,052.33
RMI Services - Car Hire	5,084.74	2,392.14	7,476.88
Total Transportation	348,183.12	108,445.65	456,628.77

Administration Expense

Administrative Salaries	128.00	219,111.92	219,239.92
Vehicle R & M	529.05	283.82	812.87
Vehicle Fuel	11,077.29	5,665.10	16,742.39
Vehicle Lease	1,332.00	10,656.00	11,988.00
Travel Expense	2,827.11	593.89	3,421.00
Meal Expense	10,834.94	12,995.52	23,830.46
Office Salaries	0.00	70,052.63	70,052.63
Vacation and Holidays	0.00	5,076.00	5,076.00
Payroll Taxes	23.88	58,607.30	58,631.18
Employee Health Benefits	0.00	47,660.32	47,660.32
Excess Deductibles & Med Exp	8,058.06	0.00	8,058.06
Injuries and Physicals	75.00	0.00	75.00
Office Utilities	3,765.67	4,845.68	8,611.35
Telephone	11,334.62	5,492.85	16,827.47
General Office Supplies	12,061.81	761.67	12,823.48
Stationary and Printing	572.23	696.86	1,269.09
Postage	652.34	11.79	664.13
Office Repairs & Maintenance	2,760.05	4,856.21	7,616.26
Other Office Expense	18,377.47	2,162.33	20,539.80
Depreciation-Office	4,800.00	2,760.00	7,560.00
Amortization-Closing Cost	14,400.00	0.00	14,400.00
Insurance Expense	9,955.32	10,243.88	20,199.20
Officer's Life Insurance	6,568.40	0.00	6,568.40
Dues and Subscriptions	13,379.72	175.00	13,554.72
Advertising	539.50	150.00	689.50
Customer & Employee Appreciation	3,848.75	503.97	4,352.72
Contributions	2,312.47	0.00	2,312.47
Legal Fees	33,948.33	0.00	33,948.33

Other Consulting Fees	93,152.34	0.00	93,152.34
Housing Relocation Costs	253.53	0.00	253.53
New Business Ventures	0.00	380.00	380.00
RE/PP Taxes	12,000.00	11,515.87	23,515.87
Licenses & Permits	1,681.57	702.98	2,384.55
Other Taxes	900.00	402.52	1,302.52
Interest Expense	70,021.02	8.58	70,029.60
Finance Charges	41,236.67	1,530.76	42,767.43

Total Administration	393,407.14	477,903.45	871,310.59
----------------------	------------	------------	------------

Total Expenses	1,012,623.35	777,644.62	1,790,267.97
----------------	--------------	------------	--------------

Net from Operations	90,384.98	-76,509.29	13,875.69
---------------------	-----------	------------	-----------

Other Income and Expense

Transload & Car Repair Inc (Exp)

Car Repair Income	85,480.06	0.00	85,480.06
Transload Revenue	135,145.00	17,720.00	152,865.00
Car Repair Labor	-35,311.93	-902.00	-36,213.93
Payroll Taxes	-7,611.93	0.00	-7,611.93
Injuries and Physicals	0.00	110.00	110.00
Employee Health Benfits	-3,984.80	0.00	-3,984.80
Liability Insurance	-4,689.72	0.00	-4,689.72
Job Materials	-2,121.57	-1,774.98	-3,896.55
Vacations & Holidays	-420.00	-88.00	-508.00
Tools and Supplies	-719.46	-797.16	-1,516.62
RMI - E-Repair	-650.00	-650.00	-1,300.00
Transload Repairs	-1,036.11	-2,747.26	-3,783.37
Transload Expenses	-1,898.16	-184.06	-2,082.22
Transload Equipment Rental	-604.80	-23,408.92	-24,013.72
Depreciation/Car Repair	0.00	-8,700.00	-8,700.00
Total	161,576.58	-21,422.38	140,154.20

Owned Cars Inc (Exp)

Owned Cars-Hourly Per Diem	5,040.80	0.00	5,040.80
Owned Cars -Penalties	235.53	0.00	235.53
Insurance	-3,445.56	0.00	-3,445.56
Administration Exp	-1,480.00	0.00	-1,480.00
Owned Car Depreciation	-12,000.00	0.00	-12,000.00
Total	-11,649.23	0.00	-11,649.23

Other Income and Expense

Other Income/(Expense)	57,238.73	800.00	58,038.73
Prior Year Recovery	0.00	1,140.00	1,140.00
Miscellaneous Income(Expense)	0.00	-1,316.11	-1,316.11

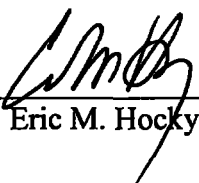
RELO Expenses - Insurance	-956.59	0.00	-956.59
RELO Expenses - Taxes	-2,790.75	0.00	-2,790.75
RELO Expenses - Maintenance	-1,779.16	0.00	-1,779.16
RELO Expenses - Legal	-440.00	0.00	-440.00
RELO Expenses - Ohio Rent	5,600.00	0.00	5,600.00
Prior Year Recovery	0.00	21,818.44	21,818.44
Interest Income	149.70	0.00	149.70
Total	57,021.93	22,442.33	79,464.26
Total Other Income/Expense	206,949.28	1,019.95	207,969.23
Net Income	297,334.26	-75,489.34	221,844.92
ASL Cash Flow			221,844.92
Net Income			
Depreciation	129,600.00	84,360.00	213,960.00
Interest/Finance	111,257.69	1,539.34	112,797.03
Cash Flow pre adjusted			548,601.95
Extra Ordinary Items			
Derailment/Rehab	48,418.86	62,956.71	111,375.57
One time and Prior Year	-57,238.73	-23,758.44	-80,997.17
Cash Flow			578,980.35

CERTIFICATE OF SERVICE

I hereby certify that on the date set forth below, I caused a copy of the foregoing Offer of Financial Assistance (OFA) to Acquire Rail Lines, to be served on counsel for Delta Southern Railroad, Inc. by overnight delivery as follows:

Thomas F. McFarland
Thomas F. McFarland, P.C.
208 South LaSalle Street – Suite 1890
Chicago, IL 60604-1112
mfarland@aol.com

Dated: April 1, 2011



Eric M. Hocky